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Fall 2015

FIN 6318

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University of New Orleans

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FIN 6318 DERIVATIVES SECURITIES

Fall 2015

Instructor: Peihwang Philip Wei

Office: KH 431
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Class Time: Thursday 2-4:45
Classroom: KH 226
Office Hour: T&TH 10:30-11, 12:15-1:15
& W 12 to 3

OBJECTIVES:

(1) To familiarize you with the current state of knowledge on investments topics other than asset pricing; main topics include derivatives and market microstructure, and

(2) To be able to conduct research related to these topics.

The texts will be the primary reference for objective (1) while selected papers and term paper will be used to accomplish objective (2).

PREREQUISITES: Open only to students in the doctoral program.

TEXT:

Required:

John Hull, "*Options, Futures, and Other Derivatives*." Prentice Hall – note that I primarily use the 7th edition, although the bookstore only has the 9th edition (after CH. 7, the corresponding chapter in the 9th ed. is that of 7th +2).

Optional:

Mikosch, "*Elementary Stochastic Calculus W/Finance View*" 1998, World Scientific

REQUIREMENTS

The course requirements are designed to further the course objectives. They include:

(1) Exam (40%): The exams will contain numerical problems and conceptual questions.

(2) A term paper (40%): Each student will select a topic subject to my approval and provide an analysis. Given that some data may be difficult to obtain, I am requiring only preliminary analysis. For example, you can provide testing on a small sub-sample or on a subset of variables, but make clear how the analysis can be extended. Make the format as close as that for published articles. Do not exceed 20 pages, not counting references and tables. Let me know your term paper idea before mid-semester and the final paper will be presented in the last class.

(3) Participation and Attendance (20%) This class will be taught in a highly interactive manner. Your attendance at every class session is especially important. The class participation portion of your final grade will be automatically decreased by 10 points for each absence exceeding one.

ACADEMIC INTEGRITY

Students are expected to conduct themselves according to the principles of academic integrity as defined in the statement on Academic Dishonesty in the UNO Judicial Code. Any student or group found to have committed an act of academic dishonesty shall have their case turned over to Judicial Affairs for disciplinary action which may result in penalties as severe as indefinite suspension from the University. Academic dishonesty includes, but is not limited to: cheating, plagiarism, fabrication, or misrepresentation, and being an accessory to an act of academic dishonesty.

ACCOMMODATION

It is University policy to provide, on a flexible and individualized basis, reasonable accommodations to students who have disabilities that may affect their ability to participate in course activities or to meet course requirements. Students with disabilities should contact the Office of Disability Services as well as their instructors to discuss their individual needs for accommodations.

CLASSROOM CONDUCT

1. Be in class on time. Please do not come five, ten, or twenty minutes late. Distracting interruptions are inconsiderate, disrespectful, and time-wasting. There is no excuse for repeatedly arriving late. Parking is often a hassle; allow enough time for it. Cell phones should be turned off before class begins.
2. Feel free to ask questions of the instructor during class. But please do not ask other students, as talking disturbs my concentration and the concentration of other class members.
3. Students are expected to treat faculty and fellow students with respect. Any actions that purposefully and maliciously distract the class from the work at hand will not be allowed.
4. Civility in the classroom and respect for the opinions of others is very important in an academic environment. It is likely you may not agree with everything that is said or discussed in the classroom. Courteous behavior and responses are expected.

The instructor reserves the right to make changes to the requirements.

COURSE OUTLINE

<u>Day of</u>	<u>Topic</u>	
8/20	Introduction	Hull Ch. 1
8/27	Futures Markets	Hull Ch. 2, 3, and 5
9/3	Swaps and Options Markets	Hull Ch. 7 and 8
9/10	Option properties and strategies	Hull Ch. 9 and 10
9/17	Binomial pricing	Hull Ch. 11 and 19
9/24	Option pricing-continuous time	Hull Ch. 12, 13, and 15
10/1	Volatility	Hull Ch. 18 and 21
10/8	An introduction to microstructure	Class-note and a survey article by Madhavan (2000 JofFinMkt)
10/15	midsemester break	
10/22	Exam	Covered chapters in Hull+Madhavan
10/29, 11/5, 12, 19 Selected articles on futures, options, and liquidity		
(I might add more papers)		
“Overreaction in the option market” (1989 JF)		
“Joint cross section of stocks and options” (2014 JF)		
“Information content of option volume prior to takeovers” (2005 JB)		
“Is there a term structure of futures volatilities?” (2006 J of Derivatives)		
“Backwardation in oil futures markets” (1995 JF)		
“Momentum strategies in commodity futures markets” (2007 JBF)		
“Futures trading activity and predictable foreign exchange market movements” (2008 JBF)		
“Systematic risk, hedging pressure & risk premium” (1992 RFS)		
“Pricing the commonality across alternative measures of liquidity” (2008 JFE)		
“Dynamic volume-return relation of individual stocks” (2002 RFS)		
“Commonality in liquidity across international borders: Evidence from futures markets” (2014 JofFuturesMkts)		
“Global market integration: An alternative measure and application” (2009 JFE)		
“Individualism and momentum around the world” (2010 JF)		
“Stock market liquidity and business cycle” (2011 JF)		
“Emerging markets finance” (2003 J Empirical Fin)		
11/26	Thanksgivings	
12/3	Term paper presentation	